

BETTER WORLD FUND, INC.
Financial Statements and Supplementary
Information
December 31, 2010 and 2009

BETTER WORLD FUND, INC.

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Report of Independent Auditors

To the Board of Directors of
Better World Fund, Inc.

In our opinion, the accompanying statements of financial position and the related statements of activities and changes in net assets, and cash flows present fairly, in all material respects, the financial position of Better World Fund ("BWF"), at December 31, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of BWF's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of functional expenses is presented for the purpose of additional analysis and is not required parts of the basic financial statements of the BWF. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP
June 21, 2011

BETTER WORLD FUND, INC.
Statements of Financial Position
As of December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Assets		
Cash and cash equivalents	\$ 21,792,381	\$ 28,481,006
Contributions receivable, net	1,056,269	150,000
Prepaid expenses	48,030	-
Property and equipment, net	<u>15,589</u>	<u>20,100</u>
Total assets	<u>\$ 22,912,269</u>	<u>\$ 28,651,106</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 429,866	\$ 389,671
Due to an affiliate, net	1,202,162	1,448,152
Unexpended grants, net	<u>201,362</u>	<u>3,691,662</u>
Total liabilities	<u>1,833,390</u>	<u>5,529,485</u>
Net assets		
Unrestricted net assets	14,930,759	15,331,289
Temporarily restricted net assets	<u>6,148,120</u>	<u>7,790,332</u>
Total net assets	<u>21,078,879</u>	<u>23,121,621</u>
Total liabilities and net assets	<u>\$ 22,912,269</u>	<u>\$ 28,651,106</u>

The accompanying notes are an integral part of these financial statements.

BETTER WORLD FUND, INC.
Statements of Activities and Changes in Net Assets
For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Change in unrestricted net assets		
Revenues and other changes:		
Contributions from a related party	\$ 5,092,862	\$ 9,375,000
Interest and dividends	15,353	39,324
Contributions from third parties	7,705	5,825
Grant recoveries and adjustments	-	887
Total unrestricted revenues and other changes	<u>5,115,920</u>	<u>9,421,036</u>
Net assets released from restriction	<u>6,977,256</u>	<u>6,611,531</u>
Total unrestricted revenues and other support	<u>12,093,176</u>	<u>16,032,567</u>
Expenses:		
Program services	10,847,394	17,081,119
General and administrative	663,926	645,229
Fundraising	982,386	666,988
Total expenses	<u>12,493,706</u>	<u>18,393,336</u>
Change in unrestricted net assets	(400,530)	(2,360,769)
Unrestricted net assets, beginning of year	<u>15,331,289</u>	<u>17,692,058</u>
Unrestricted net assets, end of year	<u>14,930,759</u>	<u>15,331,289</u>
Change in temporarily restricted net assets		
Contributions from related parties	525,000	500,000
Contributions from third parties	4,809,953	4,272,187
Interest and dividends	91	2,188
Grant recoveries and adjustments	-	64,302
Net assets released from restriction	<u>(6,977,256)</u>	<u>(6,611,531)</u>
Change in temporarily restricted net assets	<u>(1,642,212)</u>	<u>(1,772,854)</u>
Temporarily restricted net assets, beginning of year	<u>7,790,332</u>	<u>9,563,186</u>
Temporarily restricted net assets, end of year	<u>6,148,120</u>	<u>7,790,332</u>
Change in net assets	(2,042,742)	(4,133,623)
Net assets, beginning of year	<u>23,121,621</u>	<u>27,255,244</u>
Net assets, end of year	<u>\$ 21,078,879</u>	<u>\$ 23,121,621</u>

The accompanying notes are an integral part of these financial statements.

BETTER WORLD FUND, INC.
Statements of Cash Flows
For the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Change in net assets	\$ (2,042,742)	\$ (4,133,623)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	4,511	5,978
Accretion on contributions receivable	-	(8,033)
Discount on contributions receivable	19,231	-
Changes in assets and liabilities:		
(Increase) decrease in contributions receivables	(925,500)	100,000
Increase in prepaid expenses	(48,030)	-
Increase (decrease) in accounts payable and accrued expenses	40,195	(49,697)
(Decrease) increase in unexpended grants	(3,490,300)	3,269,660
Decrease in due to an affiliate	(245,990)	(160,489)
Net cash used in operating activities	<u>(6,688,625)</u>	<u>(976,204)</u>
Cash flows from investing activities		
Purchases of property and equipment	-	-
Net cash used in investing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(6,688,625)	(976,204)
Cash and cash equivalents, beginning of year	<u>28,481,006</u>	<u>29,457,210</u>
Cash and cash equivalents, end of year	<u>\$ 21,792,381</u>	<u>\$ 28,481,006</u>

The accompanying notes are an integral part of these financial statements.

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2010 and 2009

1. Description of the Organization

In March 1998, R.E. (Ted) Turner established Better World Fund, Inc. ("BWF" or "Fund") and its sister organization, United Nations Foundation, Inc. ("UNF" or "Foundation"), to support the efforts of the United Nations ("UN"). BWF was formed to support charitable causes through raising funds from the general public to enable it to carry on a discretionary grant-making program and educating the public regarding the UN and its work in the areas of: 1) women and population, 2) the environment, 3) children's health, and 4) peace, security and human rights.

2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Classification of net assets

BWF's net assets have been grouped into the following two classes:

Unrestricted Net Assets - Unrestricted net assets are those whose use by BWF is not subject to any donor-imposed stipulations. Unrestricted net assets generally result from unrestricted contributions, unrealized and realized gains and losses, and interest from investing unrestricted net assets in income-producing assets, less expense incurred in making grants, raising contributions, and performing administrative functions. Board designated voluntary restrictions, such as voluntarily earmarking assets for a particular purpose, are included among the unrestricted net assets of BWF. The board is free to designate certain portions of its funds for certain activities; however, these are included among unrestricted net assets since they are not bound by restrictions imposed by a donor.

Temporarily Restricted Net Assets - Temporarily restricted net assets are those whose use by BWF is subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the BWF pursuant to those stipulations. When these restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Recently issued and Adopted Accounting Standard

In January 2010, the Financial Accounting Standards Board ("FASB") issued amended guidance for improving disclosure about fair value measurements that added new disclosure requirements about transfers into and out of Levels 1 and 2 and separate disclosure about purchases, sales, issuances and settlements in the reconciliation for fair value measurements using significant unobservable inputs (Level 3). It also clarified existing disclosure requirements relating to the levels of disaggregation for fair value measurement and inputs and valuation techniques used to measure fair value.

The Fund's policy is to recognize transfers between Levels 1, 2 or 3 due to methodology, if applicable, as if they occurred as of the beginning of the reporting period. For the period ended December 31, 2010, the Fund did not have any investments.

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2010 and 2009

Contributions

BWF recognizes contributions and unconditional promises to give as revenue in the period received or promised, whichever is earlier. All contributions are considered to be unrestricted unless specifically restricted by the donor. Contributions are reported as temporarily restricted if they are received with donor stipulations that limit their use or are subject to time restrictions. A donor restriction expires when a purpose restriction is accomplished or a stipulated time restriction ends. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Conditional promises to give are recognized when the conditions stipulated by the donor are substantially met. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote. If the possibility that the condition will not be met is deemed possible or probable by management, the BWF does not recognize the conditional promise to give.

Contribution in kind is recorded based on estimated fair value at the date of contribution. There were no contribution in kind for the years ended December 31, 2010 and 2009.

Unconditional promises to give involve fair value measurement only upon initial recognition. Unconditional promises to give, recorded in 2008 and prior years which are expected to be received in future years, are recorded at the present value of their estimated future cash flows using discount rates approximating the rate of return on U.S. government securities with similar maturities.

Unconditional promises to give, recorded in and after 2009 which are expected to be received in future years, are recorded at the present value of their estimated future cash flows using discount rates equal to the borrowing rates from a local banking institution which would be extended to any other similar non-profit organizations. This approach is consistent with the guidance provided under Accounting Standards Codification (“ASC”) Topic 820. Discount rates are based on market participants. The discount rate for 2010 was 4.0%. Contributions receivable for 2009 were to be realized within one year and were not discounted. Carrying value approximates market value.

Grants

The amount for which BWF is obligated is recorded when the project has been approved by its Board of Directors. Grants contingent upon third party funding or other conditions are recognized as the conditions are met.

Grants payable involve fair value measurement only upon initial recognition. Grants payable, recorded in 2007 and prior years which are expected to be paid in future years, are recorded at the present value of their estimated future cash flows using discount rates approximating the rate of return on U.S. government securities with similar maturities.

BETTER WORLD FUND, INC.
Notes to the Financial Statements
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Grants payable, recorded in and after 2008 which are expected to be paid in future years, are recorded at the present value of their estimated future cash flows using discount rates equal to the borrowing rates from a local banking institution which would be extended to other similar non-profit organizations. This approach is consistent with the guidance provided under Accounting Standards Codification (“ASC”) Topic 820. There were no discounted grants payable in 2010 or 2009. Carrying value approximates market value.

At the end of the approved grant term and upon completion of BWF’s internal grant modification and closing process, grant recoveries and adjustments are recorded in the period in which they are closed or modified as reflected on the Statements of Activities. In 2010 and 2009, grant recoveries and adjustments and the corresponding grants payable balances were recorded in the amounts of \$0 and \$65,189, respectively, due to grant closings and modifications. Additionally, as of December 31, 2010 and 2009, grant recoveries and adjustments were recorded related to closed grants with pending refunds in the amounts of \$0 and \$64,302, respectively.

Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments purchased with original maturities of three months or less. Cash equivalents consist of funds held in a money market account which are available for immediate withdrawal without penalty.

Property and equipment

Property and equipment are recorded at cost and depreciated using the half-year convention over the estimated useful lives ranging from two to eight years or the life of the lease, whichever is shorter. When assets are sold or retired, the related cost and accumulated depreciation are removed from the account. Any gain or loss resulting from disposition is credited or charged to operations. Expenditures for repairs and maintenance are charged to operations as incurred.

Investments

Investments are recorded at fair value. There were no investments held as of December 31, 2010 and 2009, respectively. Donated gifts of securities are recorded based on estimated fair value at the date the donation is received.

Income Taxes

BWF has received a ruling from the Internal Revenue Service that it is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code as a public charity, other than unrelated business income. Since BWF has no significant unrelated business income, no provision for income tax has been recorded.

On January 1, 2009, BWF adopted the provisions of ASC Topic 740-10-25, “*Income Taxes Recognition*” (ASC Topic 740-10-25”). ASC Topic 740-10-25 requires that a tax position be recognized or derecognized based on a more-likely-than-not threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of ASC Topic 740-10-25 had no impact on BWF’s financial statements. BWF does not believe its financial statements include any uncertain tax positions.

Concentration of credit risk

Financial instruments, which potentially subject BWF to a concentration of credit risk, consist of demand deposits placed with one financial institution. BWF places its cash and cash equivalents with high credit quality financial institutions that are federally insured under the Federal

BETTER WORLD FUND, INC.
Notes to the Financial Statements
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Depository Insurance Corporation Act (FDICA). At December 31, 2010 and 2009, the aggregate balances in excess of the insurance limits were approximately \$21.5 million and \$28.2 million, respectively, and therefore bear some risk since they are not collateralized. BWF has not experienced any losses on its cash and cash equivalents to date, as they relate to FDICA insurance limits and do not expect such losses in the future.

Use of estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses, including donated services and functional allocation of expenses, and the carrying value of certain investments, grants payable and contributions receivable, during the reporting period. Actual results could differ from those estimates.

3. Fair Value Measurements

BWF adopted the provisions of ASC Topic 820, “*Fair Value Measurements and Disclosures*” (ASC Topic 820), effective January 1, 2008. ASC Topic 820 requires disclosures of financial position in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or a nonrecurring basis, establishes a framework based on the observability of inputs used for measuring fair value and expands disclosure about fair market value measurements. Under ASC Topic 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement dates.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 – Observable inputs such as quoted prices in active markets;
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Assets measured at fair value on a recurring basis:

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents		
Items reported at fair value	\$ 20,553,203	\$ 27,171,581
Items not subject to fair value reporting	<u>1,239,178</u>	<u>1,309,425</u>
Total	<u>\$ 21,792,381</u>	<u>\$ 28,481,006</u>

Items not subject to fair value reporting include cash deposits.

The following estimates and assumptions were used to determine the fair value of each class of financial instruments listed above:

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2010 and 2009

Cash equivalents – Cash equivalents include cash deposits in investment funds and funds held in money market accounts which are actively traded. These are priced using independent market prices in the primary trading market and are classified as Level 1 based on the availability of quotes for identical assets.

On a recurring basis, BWF is required to measure its investment holdings at fair value. As of December 31, 2010 and 2009, BWF did not have any investment holdings.

Fair Value Option

In February 2007, the FASB updated the GAAP with ASC Topic 825-10-25 “The Fair Value Option for Financial Assets and Financial Liabilities”. The fair value option permits entities to choose to measure eligible items at fair value at specified election dates, with subsequent unrealized gains and losses reported in the entity’s statement of activities. BWF adopted this updated standard effective January 1, 2008. BWF assessed the fair value options made available under the standard and elected not to apply the fair value option to any financial instruments that were not already recognized at fair value.

4. Contributions Receivable

Contributions receivable as at December 31, are as follows:

	2010	2009
Less than one year	\$ 575,500	\$ 150,000
One year to five years	500,000	-
	1,075,500	150,000
Less: Discount	(19,231)	-
Contributions receivable, net	\$ 1,056,269	\$ 150,000

Net contributions receivable as of December 31, 2010 consisted of \$980,769 and \$75,500 from two donors. Net contributions receivable as of December 31, 2009 consisted of \$150,000 from one donor.

Contributions receivable recorded in 2010 and 2009 which are expected to be received in future years are recorded at the present value of their estimated future cash flows using discount rates equal to the borrowing rates from a local banking institution which would be extended to any other similar non-profit organizations. Discount rates are based on market participants. The discount rate for 2010 was 4.0%. Contributions receivable for 2009 were to be realized within one year and were not discounted. Carrying value approximates market value.

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2010 and 2009

5. Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 419	\$ 419
Equipment and software	71,178	76,173
Furniture and fixtures	<u>7,871</u>	<u>7,871</u>
	79,468	84,463
Less: Accumulated depreciation	<u>(63,879)</u>	<u>(64,363)</u>
Total property and equipment, net	<u>\$ 15,589</u>	<u>\$ 20,100</u>

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31 have been restricted by donors for the following purposes:

	<u>2010</u>	<u>2009</u>
Adolescent Girls Nike Foundation Partnership	\$ 1,014,830	\$ 2,091,275
Elder project	4,372,395	4,692,573
Energy Future Coalition	310,000	406,019
Global Water Challenge	-	217,327
UN-UNA	240,371	-
Women & Population	203,668	202,420
Other	<u>6,856</u>	<u>180,718</u>
	<u>\$ 6,148,120</u>	<u>\$ 7,790,332</u>

7. Release of Temporarily Restricted Net Assets

Temporarily restricted net assets were released from restriction for the following purposes for the years ended December 31:

	<u>2010</u>	<u>2009</u>
Adolescent Girls Nike Foundation Partnership	\$ 1,076,536	\$ 83,456
Elder project	3,346,800	3,300,300
Energy Future Coalition	1,395,520	2,008,497
Global Water Challenge	217,327	1,166,378
UN-UNA	442,572	-
Women & Population	259,751	22,581
Other	<u>238,750</u>	<u>30,319</u>
	<u>\$ 6,977,256</u>	<u>\$ 6,611,531</u>

BETTER WORLD FUND, INC.
Notes to the Financial Statements
For the years ended December 31, 2010 and 2009

8. Related Parties

Contributions

Gift income in the amount of \$5,092,862 and \$9,375,000 in 2010 and 2009, respectively, was received through the donation of cash from Ted Turner, Chairman of the BWF Board of Directors.

During 2010 and 2009, BWF also recognized contribution revenue from affiliated organizations of \$525,000 and \$500,000, respectively.

Grants

In 2010 and 2009, BWF approved grants totaling \$480,442 and \$6,972,635 to affiliated organizations. At December 31, 2010 and 2009, \$0 and \$3,300,300, respectively, of unexpended grants remained payable to affiliated organizations.

Cost-sharing agreement

UNF and BWF entered into a cost-sharing agreement in 1998 whereby operating costs will be shared based upon the relative portions of annual grant making, employee time incurred, or labor costs, depending on the type of expenditure. During 2010 and 2009, \$1,286,593 and \$1,330,436, respectively, of such cost was incurred and allocated by UNF to BWF and was recorded by BWF as "Due to an Affiliate." The allocation ratio of the operating expenses between UNF and BWF were 87%: 13% and 84%: 16% for the years ended December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, \$1,202,162 (consisting of \$2,219,225 of payables and \$1,017,063 of receivables) and \$1,448,152 (consisting of \$4,615,122 of payables and \$3,166,970 of receivables), respectively, were payable to UNF included in "Due to an affiliate" in the Statements of Financial Position.

9. New Strategic Alliance

On November 18, 2010, the Fund entered into a strategic alliance with the United Nations Association of the United States of America. The purpose of the alliance is to inform, inspire and mobilize Americans to support the principles and vital work of the United Nations and to strengthen the United Nations system; to encourage U.S. leadership to work constructively through the United Nations and encourage everyone to achieve the goals of the United Nations Charter; and to educate the American public about the invaluable work of the United Nations, raise funds and carry out local activities related to the United Nations.

10. Subsequent Events

BWF has performed an evaluation of subsequent events through June 21, 2011, which is the date the financial statements were widely distributed, noting no additional events which would affect the financial statements as of December 31, 2010.

Supplemental Schedule

BETTER WORLD FUND, INC.
Schedule of Functional Expenses
For the years ended December 31, 2010 and 2009

	Program Services					Supporting Services					
	Advocacy	Environment	Peace, Security & Human Rights	UN Strengthening	Women & Population	Total Program Services	General & Administrative	Fund-raising	Total Supporting Services	2010 Total Expenses	2009 Total Expenses
Personnel Expenses	\$ 1,969,308	\$ 214,310	\$ 6,118	\$ 123,460	\$ 392,797	\$ 2,705,988	\$ 414,306	\$ 379,541	\$ 793,847	\$ 3,499,835	\$ 3,091,278
Professional Fees	2,028,370	2,288,316	209	4,229	537,325	4,858,449	133,792	349,824	483,616	5,342,065	4,467,566
Occupancy	344,195	79	10	204	304	344,792	19,604	149	19,753	364,545	483,331
Information Technology	1919	2,461	121	2,447	4,594	11,542	16,073	1,324	17,397	28,939	47,796
Communications	17,112	4,041	151	3,048	5,773	30,125	8,536	6,667	15,203	45,328	43,874
Postage & Delivery	6,770	1,703	101	2,047	3,242	13,863	2,609	2,924	5,533	19,396	15,238
Printing & Reproduction	23,744	699	89	1,802	3,730	30,064	2,814	26,203	29,017	59,081	78,623
Insurance	1966	115	15	296	440	2,832	204	399	603	3,435	3,479
Travel	140,664	21,316	581	11,743	18,049	192,353	18,761	169,880	188,641	380,994	294,015
Other Operating	116,966	24,176	767	15,496	28,503	185,908	47,227	45,475	92,702	278,610	275,539
Grant Expense	164,472	306,000	39,000	788,739	1,173,267	2,471,478	-	-	-	2,471,478	9,592,597
Total Expenses	\$ 4,815,486	\$ 2,863,216	\$ 47,157	\$ 953,511	\$ 2,168,024	\$ 10,847,394	\$ 663,926	\$ 982,386	\$ 1,646,312	\$ 12,493,706	\$ 18,393,336